

**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
May 28, 2009 Through April 15, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period
May 28, 2009 Through April 15, 2010

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for the Pulaski County Sheriff for the period May 28, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$22,058,402 for the districts for 2009 taxes, retaining commissions of \$751,704 to operate the Sheriff's office. The Sheriff distributed taxes of \$21,292,209 to the districts for 2009 taxes. Taxes of \$117 are due to the districts from the Sheriff and refunds of \$242 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Should Distribute Tax Collections By The Tenth Of The Month

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the Pulaski County Sheriff's Settlement - 2009 Taxes for the period May 28, 2009 through April 15, 2010. This tax settlement is the responsibility of the Pulaski County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Pulaski County Sheriff's taxes charged, credited, and paid for the period May 28, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Tax Collections By The Tenth Of The Month

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

September 20, 2010

PULASKI COUNTY
TODD WOOD, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period May 28, 2009 Through April 15, 2010

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,492,101	\$ 2,775,307	\$ 11,388,575	\$ 3,640,726
Tangible Personal Property	142,704	277,523	808,838	1,158,137
Fire Protection	929			
Increases Through Exonerations	982	1,046	5,194	3,395
Franchise Taxes	99,147	193,788	661,326	
Additional Billings	1,757	3,255	15,004	5,066
Unmined Coal - 2009 Taxes	1	2	7	2
Oil and Gas Property Taxes	1,005	1,869	9,222	2,451
Limestone, Sand and Mineral Reserves	504	937	4,626	1,230
Bank Franchises	228,473			
Penalties	9,553	17,778	74,823	25,027
Adjusted to Sheriff's Receipt	7	38	25	44
Gross Chargeable to Sheriff	1,977,163	3,271,543	12,967,640	4,836,078
<u>Credits</u>				
Exonerations	13,493	25,497	117,272	35,974
Discounts	29,570	46,704	183,710	74,120
Delinquents:				
Real Estate	32,697	60,781	269,911	79,734
Tangible Personal Property	1,626	3,112	11,453	8,368
Total Credits	77,386	136,094	582,346	198,196
Taxes Collected	1,899,777	3,135,449	12,385,294	4,637,882
Less: Commissions (a)	80,741	133,257	340,596	197,110
Taxes Due	1,819,036	3,002,192	12,044,698	4,440,772
Taxes Paid	1,818,035	3,000,287	12,036,141	4,437,746
Refunds (Current and Prior Year)	996	1,850	8,508	3,260
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	\$ 5	\$ 55	\$ 49	\$ (234)

(a), (b), and (c) See Next Page.

The accompanying notes are an integral part of this financial statement.

PULASKI COUNTY
TODD WOOD, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES
For The Period May 28, 2009 Through April 15, 2010
(Continued)

(a) Commissions:

4.25% on	\$	9,673,108
2.75% on	\$	12,385,294

(b) Special Taxing Districts:

Library District	\$	43
Health District		2
Extension District		<u>10</u>
Due Districts	\$	<u><u>55</u></u>

(c) School Districts

Common School District	\$	57
Science Hill School District		<u>(8)</u>

Due District or

(Refund Due Sheriff)	\$	<u><u>49</u></u>
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PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Pulaski County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Pulaski County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 21, 2009 through April 15, 2010.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2009. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 22, 2010 through April 15, 2010.

Note 4. Interest Income

The Pulaski County Sheriff earned \$2,148 as interest income on 2009 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Pulaski County Sheriff collected \$108,749 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Barty Bullock, Pulaski County Judge/Executive
Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pulaski County Sheriff's Settlement - 2009 Taxes for the period May 28, 2009 through April 15, 2010, and have issued our report thereon dated September 20, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pulaski County Sheriff's Settlement - 2009 Taxes for the period May 28, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Distribute Tax Collections By The Tenth Of The Month

This report is intended solely for the information and use of management, the Pulaski County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

September 20, 2010

COMMENT AND RECOMMENDATION

PULASKI COUNTY
TODD WOOD, SHERIFF
COMMENT AND RECOMMENDATION

For The Period May 28, 2009 Through April 15, 2010

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Tax Collections By The Tenth Of The Month

The Sheriff did not distribute money collected during the preceding month by the tenth of the following month as required by statute. Tax distributions were not made timely to the county for the months of October, November, and December 2009. KRS 134.191(1) states, "The sheriff shall provide monthly reports by the tenth of each month to the chief executive of the county, the department, and any other district for which the sheriff collects taxes." Also according to KRS 134.191(4), failure to pay taxes due as required by law may result in a penalty of one percent (1%) for each thirty (30) day period or fraction of that the payment is not made. We recommend the Sheriff comply with KRS 134.191 which requires the reporting and distribution of each month's collections by the tenth of the following month.

Sheriff's Response: No Response.

